



## ***Changes Regarding the Taxation of Internet Access Effective July 1, 2008***

Effective July 1, 2008, Internet access is no longer subject to City of Bellevue (Bellevue) business taxes in accordance with the federal Internet Tax Freedom Act Amendments Act of 2007, Public Law 110-108, the federal moratorium against the imposition of state and local taxes on Internet access.

The grandfather provision that allowed Bellevue to tax Internet access under the City's gross receipts business and occupation (B&O) tax, and to tax telecommunication services purchased, used, or sold by a provider of Internet access to provide Internet access under the City's Telephone Utility Occupation Tax expired on June 30, 2008. For reporting periods beginning July 1, 2008, revenue from Internet access services is exempt from Bellevue business taxation.

Internet access is currently defined under the law as:

“(A) a service that enables users to connect to the Internet to access content, information, or other services offered over the Internet;

(B) includes the purchase, use or sale of telecommunications by a provider of a service described in subparagraph (A) to the extent such telecommunications are purchased, used or sold—

(i) to provide such service; or

(ii) to otherwise enable users to access content, information or other services offered over the Internet;

(C) includes services that are incidental to the provision of the service described in subparagraph (A) when furnished to users as part of such service, such as a home page, electronic mail and instant messaging (including voice- and video-capable electronic mail and instant messaging), video clips, and personal electronic storage capacity;

(D) does not include voice, audio or video programming, or other products and services (except services described in subparagraph (A), (B), (C), or (E)) that utilize Internet protocol or any successor protocol and for which there is a charge, regardless of whether such charge is separately stated or aggregated with the charge for services described in subparagraph (A), (B), (C), or (E); and

(E) includes a homepage, electronic mail and instant messaging (including voice- and video-capable electronic mail and instant messaging), video clips, and personal electronic storage capacity, that are provided independently or not packaged with Internet access.”

Please be aware that any form of telephony, including Voice over Internet Protocol (VOIP), network services and data transmission services, other than telecommunication services used by a provider of Internet access to provide Internet access, as defined above, are not included in the federal moratorium. Telephony activities not exempt under the federal moratorium continue to be subject to the appropriate Bellevue B&O tax or utility occupation tax.

If you have questions concerning this matter, please contact Lucy Liu at (425) 452-4445 or Richard D'Hondt at (425) 452-4298.

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